RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
DO APL1 WATER AND SANITATION IN TOURIST AREAS

LOAN 7680-DO

Approved on April 2, 2009

TO THE

DOMINICAN REPUBLIC

June 15, 2015

GLOBAL WATER PRACTICE
COUNTRY MANAGEMENT UNIT LCC3C
LATIN AMERICAN AND THE CARIBBEAN REGION

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## ABBREVIATIONS AND ACRONYMS

<table>
<thead>
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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>APL</td>
<td>Adaptable Program Loan</td>
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<tr>
<td>COAAROM</td>
<td>Water and Sewerage Corporation for La Romana</td>
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<td>CORAAMOCA</td>
<td>Water and Sewerage Corporation for Moca</td>
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<td>CORAAPPLATA</td>
<td>Water and Sewerage Corporation for Puerto Plata</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IPF</td>
<td>Investment Project Financing</td>
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<td>MEPyD</td>
<td>Ministry of Economy, Planning and Development</td>
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<td>PAD</td>
<td>Project Appraisal Document</td>
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<td>PDO</td>
<td>Project Development Objective</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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DOMINICAN REPUBLIC
DO APL1 WATER AND SANITATION IN TOURIST AREAS

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RESTRUCTURING PAPER

A. SUMMARY

1. This is a Level-II restructuring of the Project to extend its closing date. The Government of the Dominican Republic, through the Ministry of Economy, Planning and Development (MEPyD), has requested to extend the loan’s closing date by 18 months, from June 30, 2015 to December 31, 2016 to allow completion of activities critical for the achievement of the Project’s development objectives. This restructuring extends the project closing date from June 30, 2015 to September 15, 2015 (for 2.5 months), and is a first step to ensure the signing of the two contracts for the completion of the Project’s main sewerage works, namely the construction of a wastewater pre-treatment plant and of a submarine outfall. A subsequent Level-I restructuring would be prepared to make partial modifications of the PDO and indicators, revise the financial instrument to move away from an APL and use a stand-alone Investment Project Financing (IPF), and extend the closing date for an additional 15.5 months from September 15, 2015 to December 31, 2016, to allow completion of the works, as well as ongoing institutional strengthening activities.

2. The project development objectives (PDO) are: (i) strengthening and consolidating the policy framework of the water and sanitation sector in the Dominican Republic; (ii) improving and expanding access to sanitation and wastewater treatment and disposal services in the Puerto Plata region; (iii) improving the financial and operational performance of CORAAPPLATA, the region’s water utility; and (iv) enhancing operational and commercial performance of other regional utilities and preparing them to participate in the second phase of the Program (APL 2).

B. PROJECT STATUS

3. The US$27.5 million loan was approved on April 2, 2009. The Loan was declared effective on February 25, 2010, with an original estimate of US$6.5 million in counterpart financing. The Project incurred significant delays. Activities have revolved around the preparation and launching of bidding processes for technical and environmental studies, as well as the support to the CORAAPPLATA, CORAAMOCA and COAAROM water and sewerage utilities. A Level-II project restructuring, in July 2013, extended the closing date, by 21 months, modified the Project’s scope, activities and indicators, as well as reallocated funds. However, major delays took place with the contracting and preparation of the final submarine outfall final designs, including a change of location of the submarine outfall, which prompted additional studies, and initial poor performance of the consultants.

4. Disbursements have been slow – only 31.2% has been disbursed to date. Moreover, the Project experienced delays and uncertainty regarding the finalization of procurement processes to contract works within the current project timeframe. For these aforementioned reasons, the Project’s overall progress towards achievement of the PDO and overall implementation progress are currently rated as “Unsatisfactory.” However, project financial management, procurement performance, as well as overall safeguards compliance are currently rated as “Moderately Satisfactory;” the current PIU team has been performing satisfactorily, particularly over the last year, and significant progress has been made.

5. Component 1: Technical Assistance for Sector Development. Activities under this component are rated as “Moderately Satisfactory.” Institutional strengthening activities have progressed considerably with both the metering (for the three utilities) and its related supervision contracts underway. The contract for the upgrade of the commercial systems of CORAAMOCA and COAAROM was awarded, and the estimated timeframe for completing this activity is 10 months. Activities related to the sector legal framework and strategy have been completed, and support has been mobilized to facilitate discussions towards the eventual adoption of the Water Resources and the Water and Sanitation laws. Although a
draft law and water supply and sanitation sector strategy have been produced under the Project, the revision and adoption of the law by Congress is still pending.

6. **Component 2: Rehabilitation and Expansion of Sanitation Services in Puerto Plata.** Activities under this component are rated as “Unsatisfactory,” due to significant delays in the execution of the Project’s main works. However, the engineering designs for the pre-treatment plant and the submarine outfall have been finalized and the bidding processes were launched the first week of February 2015, with a likely award of related works contracts by end of June 2015. These works currently represent about 60% of the total project amount and require 12-month (pretreatment plant) and 15-month (submarine outfall) construction periods, respectively. Once all works are contracted, the rating for this component would be upgraded and once the works are completed, the entire population of the Puerto Plata area (approximately 200,000) would benefit from improved wastewater treatment and disposal, and the Project would meet its development objectives. However, due to cost overruns, the planned sewerage network expansions and additional connections to underserved areas would not be completed under the Project. The Borrower is currently seeking alternate financing for these expansions, including their own funds.

7. **All main project activities representing about 97% of the total project amount are either currently under bidding or have been contracted, except for the definition of the water quality monitoring program to accompany the works which would be initiated when the latter have been contracted out and for minor consultancies to continue supporting the institutional strengthening of the participating water and sanitation utilities.**

C. **PROPOSED CHANGES**

8. **Extension of closing date.** The closing date for the Project will be extended by 2.5 months, from June 30, 2015 to September 15, 2015. This will be the second extension of the Project’s closing date, for a total of 23.5 months.